

## FINANCIAL MANAGEMENT GUIDE

The Kansas Arts Commission Financial Management Guide is not offered as a complete manual for procedures on grants administration. This guide is intended only to provide practical information on what is expected from grantee agencies in terms of fiscal accountability. General information on other topics related to grant administration may be obtained by referring to the relevant Office of Management and Budget Circulars and the documents included in the Kansas Arts Commission grant award package furnished to all grantees.

### FINANCIAL AUDITS

Any organization that receives in excess of \$50,000 during its most recently completed fiscal year from the Kansas Arts Commission in the form of grants, support, contract income or any other financial support is required to submit an audit of its financial statements.

Such audit shall be performed by an independent Certified Public Accountant (CPA) and must cover the fiscal year during which the organization received the support from the Kansas Arts Commission in excess of \$50,000. The audit must be submitted to the Kansas Arts Commission office within 6 months after the fiscal year end-date.

In addition to submitting the audit, the organization shall submit the management letter of recommendations received from its CPA as a result of the audit, if any. The organization shall also provide its responses to each item noted in the management letter of recommendations, as well.

A letter of engagement with an independent auditor or firm will be accepted at the time of application, providing the audit is completed and submitted within 6 months following the application submission. Organizations that fail to submit an audit by the appropriate deadline will become ineligible for funding.

Organizations with less than a one-year financial history, cities, counties, state governments and other public agencies—such as USDs, community colleges and libraries—are exempt from the audit requirements. If you have questions about the audit requirements, contact the Kansas Arts Commission office at 785/296-3335.

Organizations receiving funds from the Kansas Arts Commission are expected to maintain a state of audit readiness. Records pertinent to the financial and programmatic aspects of their grants must be readily accessible for audit. Failure to provide a federal or state auditor with reliable documentation could lead to questioned costs and possibly result in cost disallowances requiring refunds to the Kansas Arts Commission or the National Endowment for the Arts.

Organizations expending federal funds equal to or in excess of \$500,000 received from all federal sources are required to submit a financial and compliance audit in accordance with Office of Management and Budget document A-133 “Audits of States, Local Governments and Nonprofit Organizations.” The Kansas Arts Commission will withhold funding of applications from organizations that fail to comply with the compliance audit requirement.

Audits and all supporting accounting records must be maintained on file for three years following the submission of the final report to the Kansas Arts Commission.

## AUDIT REPORTING REQUIREMENTS

A standard audit report should include:

- \* A title that specifically mentions the word “independent” (e.g., “Independent Auditor’s Report”).
- \* A specific reference to the fact that the financial statements have been audited in accordance with GAAS<sup>1</sup>.
- \* A statement the GAAS requires planning and performing the audit to gain reasonable assurance that the financial statements do not contain any material misstatements.
- \* A statement that an audit includes a test of evidence supporting amounts and disclosures, an assessment of the GAAP<sup>2</sup> applied, and an evaluation of the overall presentation.
- \* A statement that the audit provides a basis for the auditor’s opinion.
- \* An opinion about the fair presentation of the financial statements in accordance with GAAP.
- \* Commentary that the financial statements are representations of management, and that it is the auditor’s responsibility to express an opinion on those financial statements.
- \* A manual or printed signature of the auditing firm.
- \* A date that indicates the approximate end of the fieldwork performed.

## REFERENCES ON UNIFORM ADMINISTRATIVE REQUIREMENTS

Nonprofit organizations, colleges and universities are subject to the requirements of the Office of Management and Budget (OMB) Circular A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations,” as amended.

State and Local Governments are subject to the requirements of OMB Circular A-102.

The following OMB Circulars set forth the Federal cost principles that generally apply to Kansas Arts Commission grantees.

- \* OMB Circular A-87, “Cost Principles for State and Local Governments,” as amended: state, local and Federally recognized Indian tribal governments;
- \* OMB Circular A-122, “Cost Principles for Nonprofit Organizations,” as amended: nonprofit organizations, exclusive of institutions of higher education; and,
- \* OMB Circular A-21, “Cost Principles for Educational Institutions,” as amended: public and private institutions of higher education.

Copies of these OMB Circulars may be obtained through a link on the National Endowment for the Arts website <<http://www.arts.endow.gov>>.

If you have any questions regarding this guide, please call the Kansas Arts Commission office for assistance, 785/296-3335.

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<sup>1</sup> Generally Accepted Auditing Standards

<sup>2</sup> Generally Accepted Accounting Principles